

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6341

BILL NUMBER: HB 1156

NOTE PREPARED: Feb 14, 2008

BILL AMENDED:

SUBJECT: Police and Firefighter Death Benefits.

FIRST AUTHOR: Rep. Tyler

FIRST SPONSOR: Sen. M. Young

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill increases from \$9,000 to \$12,000 the death benefit payable to the heirs or estates of active and retired members of the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, the 1953 Police Pension Fund, and the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

Effective Date: July 1, 2008.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: The fiscal impact appears in the following table.

	1925, 1937, and 1953 Funds			1977 Plan
	Non-Converted	Converted	Total	
Increase in Unfunded Actuarial Liabilities	\$8.8 M	\$0.7 M	\$9.5 M	\$1.7 M
Increase in Annual Funding	NA	NA	NA	\$0.182 M
Annual Funding Increase as % of Payroll	NA	NA	NA	21% would increase to 21.04 %
NA - Not Applicable				

Since the benefits of the 1925, 1937, and 1953 Funds are funded on a pay-as-you-go basis, the following table illustrates the estimated increase in benefit payouts for these funds by cities and towns over the next five years. The impact from the benefits will continue past the five years.

<u>CY</u>	<u>Increase in Expected Benefit Payouts</u>
2008	\$348,000
2009	\$696,000
2010	\$698,000
2011	\$699,000
2012	\$700,000

The funds affected are the police and fire funds of the cities and towns. The principal sources of revenue to local units for contributions into these funds may include the following: (1) general property taxes; (2) Financial Institutions Tax; (3) Auto and Aircraft Excise Tax; (4) Property Tax Replacement Credits; (5) County Option Income Tax; (6) Commercial Vehicle Excise Tax; (7) liquor excise and liquor gallonage distributions; and (8) Wagering Taxes. Other revenue sources include licenses and permits, charges for services, fines and forfeitures, and interest on investments.

Also, cities and towns with a population of over 5,000 may use up to 10% of their Motor Vehicle Highway Account distributions for law enforcement purposes. Cities and towns under 5,000 can use up to 15%.

Explanation of Local Revenues:

State Agencies Affected: Public Employees Retirement Fund as administrators of the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

Local Agencies Affected: Cities and towns with members in the affected funds.

Information Sources: Doug Todd of McCready and Keene, actuaries for the police and fire funds and for PERF, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Funding - A systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.

Pay-As-You-Go Method - Sometimes called current disbursement cost method, this is a method of recognizing the costs of a retirement system only as benefits are paid.